IT Performance Management Toolkit

Tactics and Tools for Improving IT Metrics Maturity
EXECUTIVE SUMMARY

All IT organizations have metrics, but few measure performance in the areas business partners care about most. Even fewer metrics are useful when navigating the shifting boundaries between IT and business responsibilities or positioning IT to win competitive advantage through technology-enabled products and services. Instead, most IT organizations direct effort at defining and collecting metrics that provide a comprehensive and balanced view of IT operations and governance.

The traditional metrics provide little insight on strategic initiatives or critical new capabilities, such as employee productivity tools, business intelligence, or digital channels. At a time when employees, business leaders, customers, and suppliers are all identifying innovative ways for using technology, CIOs should track IT’s readiness for maximizing the business value from technology investments made or led by any part of the organization. We call these measures metrics for Adaptive IT. They help IT predict and remove speed barriers, focus on continuous improvement, and proactively reallocate resources.

Yet most metrics are reactive and static. As a result, what should be a vital tool for IT decision making often becomes a laundry list with dubious value or credibility. In response, leading CIOs focus disproportionately on a handful of metrics related to strategic value drivers and the principles of Adaptive IT. They also push the IT scorecard beyond its traditional value demonstration role, deploying it to spot areas where business leaders can get more value from technology or use the scorecard to determine changes to help IT capture that value. The most progressive organizations also update their scorecards with Adaptive IT metrics.

Adaptive IT metrics not only track IT’s effectiveness at delivering technology solutions but also assess new-in-kind engagement activities, including brokering, consulting, and coaching business leaders and employees. They measure progress in increasing the clock speed of IT governance and ability to reallocate IT investments as needed. Metrics for Adaptive IT also measure the IT team’s mind-set and openness to new ways of working and critical IT competencies for effective business leader and employee engagement.

Sourcing Tools and Insights from the Most Progressive Organizations

This toolkit provides tools and templates that will help you shorten the time to design an effective IT metrics program and increase metrics maturity. Our resources come directly from leading organizations and are sourced from CEB’s cross-functional membership of leaders in IT, Corporate Strategy, Finance, and other functions. We divided the toolkit into three chapters along an incremental pathway to IT performance management maturity, with each section representing the next level of maturity:

1. Get the Basics Right

Before measuring performance in less traditional areas, IT leaders must find efficient and pragmatic approaches to managing the end-to-end performance of the IT function. The first steps are selecting metrics that align with strategic goals, defining them in actionable terms, and setting up governance processes to refresh metrics as the business and IT change. Practitioners at this level create IT scorecards that are visually and conceptually engaging for stakeholders at different organizational levels.

2. Unbalance the IT Scorecard

Progressive IT organizations move from a “balanced” and equally weighted view of their performance to an “unbalanced” scorecard that highlights IT value creation. They provide disproportionate information on IT enablement of business strategy and proactively track barriers to value realization. They also create an enterprise-wide language of business value to measure and communicate IT impact on business outcomes.

3. Spot New Value Creation Opportunities

The most progressive organizations continue to refine the end-to-end performance of the IT function but also push their scorecards beyond their traditional performance management and value demonstration roles. They use the IT scorecard to spot new opportunities for value creation and target it at driving behavioral changes for IT employee openness to business collaboration, risk, and uncertainty and to new ways of working.
EXECUTIVE SUMMARY (CONTINUED)

Foundational Metrics and Metrics for Adaptive IT

Designing a metrics program starts with selecting effective metrics. To compress time for generating IT scorecard metrics, review the first chapter of this toolkit, which contains detailed lists of the most important functional IT metrics and metrics for strategic IT initiatives.

The second chapter summarizes 20 traditionally hard to achieve measurements. These metrics for Adaptive IT provide insight on IT’s ability to drive speed to market, continuous improvement, and the proactive reallocation of resources. They help you measure the business value of strategic IT initiatives, including IT impact on employee productivity, information usability, data-driven decision making, cloud governance, and IT’s readiness for helping the enterprise maximize returns from technology investments.

We provide additional resources to help CIOs design a metrics program. You can download our Scorecard for Adaptive IT to access additional details and implementation guidance on the metrics for Adaptive IT. Our IT Scorecard Builder tool helps you track and communicate critical IT performance measures. Based on an extensive review of IT balanced scorecards from corporate exemplars, the tool will help you build a customized scorecard and compress cycle time to generate IT metrics.

We also developed the IT Functional Maturity Diagnostic, a comprehensive maturity framework covering the scope and activities of the typical IT function, including IT performance management. We applied our unique, direct insight on companies’ strategies, tactics, and actions to anchor the maturity framework for IT performance measurement in actual practice. Measured on a scale ranging from 1 (low) to 5 (high), maturity shows how advanced an organization is in performance measurement related to CEB’s best practice research.
Introduction
EIGHT TRENDS ARE CHANGING HOW COMPANIES USE TECHNOLOGY

Transforming Product Innovation

1. **Open Innovation**: Ideas, expertise, talent, and data are increasingly sourced from suppliers, channel partners, and customers.

2. **Information-Rich Products and Services**: End products and services are increasingly enabled or enhanced by using data and technology.

Responding to Marketplace Evolution

3. **Eroded Brand Relevance**: Customers are increasingly willing to abandon incumbents in favor of new brands.

4. **Greater B2B Pre-Sales Decisions**: Customers typically advance through 60% of the purchase decision-making process before engaging a sales rep.

5. **Expectation of an Effortless Customer Experience**: Loyalty is driven by the ease and simplicity of the customer experience, not by being “delighted” or by the number of digital touchpoints customers can access.

Enabling the New Work Environment

6. **Greater Interdependence**: The average employee today must collaborate with 10 or more individuals just to accomplish his or her day-to-day work.

7. **Organizational Change Is the New Normal**: The average employee experiences a major change in organization or objectives every seven months but takes up to two years to adapt.

8. **Greater Knowledge Intensity**: Four in five employees conduct work that requires analysis, judgment, and influence, but only 38% of them have the skills to do it well.

Source: CEB analysis.
Business trends are changing how companies use technology, so opportunities to deploy information technology now extend well beyond back-office process automation and affect the entire enterprise.

- As greater opportunities emerge to use technology to develop, market, and sell products, IT can increasingly contribute to competitive advantage.

TECHNOLOGY’S IMPACT BECOMES UBIQUitous

Percentage of Processes That Can Be Improved by Using Analytics, Collaboration, Mobility, or Process and Decision Automation

<table>
<thead>
<tr>
<th>Percentage of Processes</th>
<th>Business Processes</th>
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<tbody>
<tr>
<td>&lt; 70%</td>
<td>Develop Vision and Strategy</td>
</tr>
<tr>
<td>70%–80%</td>
<td>Develop New Products</td>
</tr>
<tr>
<td>80%–90%</td>
<td>Market and Sell Products and Services</td>
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<tr>
<td>&gt; 90%</td>
<td>Deliver Products and Services</td>
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<td></td>
<td>Manage Customer Service</td>
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Source: CEB analysis.
GOAL: RAPID RESPONSE TO UNPREDICTABLE DEMAND

Opportunities to use information technology are proliferating in all areas of the enterprise, leading to rapidly changing demands from more and more stakeholders.

Ubiquitous Technology Impact

Implication 1
Technology Decision Making Beyond IT: Technology decision making increasingly occurs outside Corporate IT as employees, business leaders, customers, suppliers, and channel partners all seek greater roles.

Implication 2
Shorter, More Iterative Planning Horizons: The horizons for IT strategies, roadmaps, and budgets become shorter and less stable due to rapid changes in technologies and business demand.

Implication 3
A Growing Mismatch Between Funding and Demand: Although opportunities to use technology for competitive advantage across the enterprise increase, CFOs continue to constrain the IT budget by managing against fixed benchmarks.

Source: CEB analysis.

For more information see Navigating the Future of Corporate IT.
PRINCIPLES OF ADAPTIVE IT

In an era of ubiquitous technology, IT leaders should apply five principles to help the enterprise maximize returns from its technology investments. Collectively, these principles make IT adaptive.

1. **Excellence Should Be Targeted:** IT must focus disproportionate effort in areas where it has comparative advantage and “dare to be adequate” elsewhere.

2. **Role Is Context Based:** IT must adopt different responsibilities and relationships based on its operating context, such as where the ideas and money come from.

3. **Judgment Shapes Process:** IT must apply judgment to governance and delivery processes to ensure the level of rigor is appropriate to the business outcome.

4. **Speed to Market Comes First:** IT must increase the priority given to urgency when making trade-offs against cost and risk.

5. **Technical and Business Talent Isn’t Either/Or:** IT must sharpen its technical edge and engagement competencies in parallel so that technology expertise stays ahead of changing business needs.

Source: CEB analysis.
## ADAPTIVE IT NEEDS ADAPTIVE METRICS

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<tr>
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<td><strong>Adaptive Strategy</strong></td>
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<tr>
<td>1. Excellence Should Be Targeted</td>
<td>Track IT’s Readiness to Shift Between Multiple Roles  &lt;br&gt;Metrics should measure effectiveness of different IT operating methods.</td>
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<td>2. Role Is Context Based</td>
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<td><strong>Adaptive Governance and Delivery</strong></td>
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<td>4. Speed to Market Comes First</td>
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<td><strong>Adaptive Workforce</strong></td>
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<td>5. Technical and Business Talent Isn’t Either/Or</td>
<td>Track IT Staff Readiness  &lt;br&gt;Metrics should measure technical expertise as well as IT employee mind-sets, behaviors, and engagement competencies.</td>
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IT organizations must dramatically improve their performance measurement maturity as they commit to the principles of Adaptive IT.

- Despite an abundance of advice on metrics, organizations still struggle to get the basics right and implement effective measurement programs.

### NOT QUITE THERE YET

**IT Organizations Using Metrics That Are Regularly Refreshed**

*Percentage of Organizations*

- **30%** Yes
- **70%** No

$n = 40$.
Source: CEB Ignition™ Diagnostic for IT.

**IT Organizations Using Predictive Metrics That Enable Proactive Planning**

*Percentage of Organizations*

- **12%** Yes
- **88%** No

$n = 40$.
Source: CEB Ignition™ Diagnostic for IT.
THE SEVEN PITFALLS OF IT METRICS

1. Metrics in a Vacuum: Metrics don’t align with strategy or objectives.

2. No Foundation to Build On: Prerequisites for metrics are not in place.

3. Many Metrics, Many Meanings: Metrics are imprecisely defined or baselined or are not actionable.

4. A Mile Wide, an Inch Deep: There is insufficient discipline about metric aggregation and drill down.

5. One Size Fits No One: Metric representation does not fit user needs.

6. Misleading Measures: Metrics lead to the wrong decisions.

7. Old Metrics Never Die: Metrics need to change, but they remain static.

Source: CEB analysis.
IT PERFORMANCE MEASUREMENT MATURITY PATHWAY

Chapter I: Get the Basics Right

Objective
Create and refresh effective scorecards that provide a balanced view of IT performance.

Action Steps
- Select the right metrics.
- Define and manage metrics.
- Create actionable scorecards.
- Track balanced scorecard metrics.

Benefits
- Enables IT leaders to manage the end-to-end performance of the IT function
- Ensures the IT scorecard stays up to date with business priorities

Chapter II: Unbalance the IT Scorecard

Objective
Move beyond reporting on data and use the IT scorecard to spot new opportunities for value creation, not just value demonstration.

Action Steps
- Recharter the scorecard to spot opportunities.
- Target the scorecard at behavioral change.

Benefits
- Surfaces new opportunities for IT value creation
- Directs IT employee mind-sets and behaviors toward Adaptive IT

Chapter III: Spot New Value Creation Opportunities

Low Maturity

High Maturity
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